during the 90-day period that the FCC is considering the interLATA application.

Q. AT&T cites to an ad campaign that it contends raises questions about Ameritech Illinois' commitment to providing service to new entrants at parity with the services it provides to its customers (Puljung, pp. 9-11). Would you respond?

A. AT&T is attaching far more significance to this April ad campaign than it remotely warrants. Prior to the running of Ameritech Illinois' advertisements, AT&T was running full page ads extolling the superiority of its service. Attached as my Schedule 2 is an AT&T ad that ran in the Chicago Sun Times in February of 1996 in which AT&T claimed as follows:

> "You want one company for your local and long distance phone service. And one bill. You want more choices serving you around the corner and around the world. And attractive prices. Not to mention superior customer service at all times." (emphasis added)

In March, AT&T ran the ad attached as my Schedule 3 in which it claimed:

> "Right now your only choice in local phone service is your current company. That's it. Isn't it time you had a choice? Choice, after all, means there is competition and everyone knows the benefits of competition...Competition has also fostered lots of innovations in sound quality and services." (emphasis added)

Mr. Puljung claims that it was inappropriate for Ameritech to make service quality claims because AT&T and other competitors will be relying on Ameritech Illinois to provide the underlying service, at least at the outset (Puljung, p. 10). If that is true, then it is equally inappropriate for AT&T to claim that its service quality will be superior. Either AT&T was looking forward to when it will be facilities-based or, as is more likely, these ads are simply marketplace "puffing."

Both Ameritech Illinois' and AT&T's ad campaigns represent conventional competitive positioning in the marketplace that cannot be taken too literally or too seriously. Ameritech Illinois did not intend to imply that it would fail to meet its checklist obligations or improperly underprice its competitors. Ameritech Illinois was simply countering AT&T's ad campaigns and extolling its virtues as the "home team".

Q. AT&T cites to Illinois Consolidated's comments during the NOI as evidence that the Company's offerings are unreliable (Puljung, p. 23). Would you comment?

A. Yes. As I explained in my direct testimony, Ameritech Illinois and CCI have worked extensively together to resolve the provisioning problems which CCI experienced

since those comments were filed with the Commission. The fact that the two companies have entered into a negotiated agreement demonstrates that substantial progress has been made. Any assessments of loop provisioning should be made based on current information, not on comments by a party other than AT&T that are now several months old.

Q. Mr. Puljung claims that Ameritech Illinois cannot be relied on to implement the Commission's orders (Puljung, pp. 25-32). Would you comment?

A. Yes. Mr. Puljung used four Commission proceedings to develop what he call an "average time to comply" or "ATC". These four proceedings were Customers First, intraLATA presubscription, the MFS interconnection order and Wholesale/Resale.

AT&T and Ameritech Illinois agree that intraLATA presubcription was implemented on time (Puljung Ex. JJP-7). AT&T's complaints about the adequacy of the rest of the Company's compliance filings, however, are misleading and inaccurate.

With respect to the MFS interconnection order (Docket 94-0442), Mr. Puljung is wrong on his facts. The MFS interconnection complaint was filed before the

Commission's order was adopted in Customers First and long before Congress enacted the new federal Telecommunications Act. After the Commission issued its order in the MFS complaint case on February 10, 1995, the Company promptly began interconnection negotiations with MFS. The Company filed a petition for approval of interconnection agreements with MFS only three months later on May 24, 1995, which was subsequently approved by the Commission in Docket 95-0227. These arrangements constituted compliance with the MFS interconnection order -- not the negotiated agreement which Ameritech Illinois and MFS entered into this year pursuant to the federal Act. Either Mr. Puljung did not do his homework or he was deliberately trying to inflate the Illinois "ATC".

With respect to Customers First, this non-compliance argument is one of AT&T's favorites. It seems to appear in virtually every major pleading and piece of policy testimony. However, repetition does not make it so.

The Customers First order was enormously complex and addressed issues ranging from interconnection to reciprocal compensation to number portability to intraLATA presubscription to unbundled loops. The Company's compliance tariff filing clearly satisfied

the plain terms of the Commission's order or Staff would not have permitted the tariffs to go into effect. The Company readily acknowledges that there were some issues that have been the subject of subsequent litigation -- issues which the Commission did not specifically address or which were not clearly resolved in the order. These issues are now pending in the Citation case (Docket 95-0296). However, they are minor in the context of the entirety of the Customers First order.

The fact that Staff and the Hearing Examiner in the Citation docket ultimately disagreed with the Company's position does not mean that the original filing was not in compliance (Puljung, pp. 25-26). It just means that they disagreed on the merits of the issues once they were litigated.

The fact that the Citation docket is not yet fully resolved in large part reflects the level of regulatory and legal flux that has prevailed since the investigation was initiated: the passage of the federal Act last February; the FCC's August 8, 1996, order in Docket 96-98; subsequent tariff filings by the Company; and the stay order issued by the 8th Circuit. At this point, it is likely that the loop pricing issues in the Citation case will be mooted by the AT&T arbitration

decision which will establish cost-based rates for all network elements, including unbundled loops.

If any numerical "ATC" value can be attached to Ameritech Illinois' implementation of the Customers First order -- and I do not believe that it can -- at a minimum, it would have to be weighted for the vast majority of Customers First requirements that were implemented on time and largely without dispute (e.g. interconnection, reciprocal compensation, number portability and unbundling other than pricing). In fact, Ameritech Illinois should have been given extra, positive credits for having voluntarily proposed Customers First long before it was legally required.

The suspension of the LDDS resale/platform tariff filed means precisely nothing and AT&T knows it (Puljung, p. 26). Compliance consisted of filing the tariff. No one expected the tariff to go into effect. In fact, the Commission's order in the Wholesale/Resale case explicitly contemplated suspension by deferring all pricing issues associated with the platform offering to the anticipated "investigation of the compliance tariffs". Wholesale/Resale Order, at p. 66. Although the original filing has since been superseded by the FCC's August 8th order in Docket 96-98, and the Company's September 27, 1996, tariff filing, pricing

and other issues are still targeted for review in the pending investigation of the September 27 filing (Docket 96-0569). Therefore, there is no credible argument that suspension of this tariff somehow means that Ameritech Illinois "failed to comply" with the Wholesale/Resale order.

Q. Ms. Evans suggest that Ameritech Illinois has not fully complied with the Commission's presubscription order in Customers First and will not do so until July 1, 1997 (Evans, p. 30). Is this accurate?

A. No. Either Ms. Evans is not bothering to check her facts or she is trying to create issues where none exist. Ameritech Illinois implemented presubscription for all but 12 offices on time by April 7, 1996. The Company requested and the Commission granted a 4-month extension for those 12 offices to August 1, 1996, because one vendor (Siemens) had developed the software too late to permit full implementation by April 7. This appears four times in an order that is only a few pages long (Order in Docket 96-0090, at pp. 2-3). Moreover, as clearly stated in Mr. Dunny's direct testimony in this proceeding (p. 67), Ameritech Illinois beat the August 1 date approved in Docket 96-0090, and implemented full dialing parity by July 1, 1996.

Q. Mr. Puljung includes Michigan orders in his "ATC" analysis and refers separately to regulatory activities in Wisconsin (Puljung, pp. 29-31). Are they relevant?

A. No. This docket involves Ameritech Illinois and Ameritech Illinois' compliance with the checklist. Ameritech Michigan's and Ameritech Wisconsin's conduct reflect Michigan-specific and Wisconsin-specific regulatory and legal considerations. It is not relevant here in Illinois and should be totally disregarded by this Commission when reaching any conclusion relative to Ameritech Illinois' compliance with the checklist.

Q. Mr. Puljung claims that an alternative dispute resolution is required to resolve these "compliance" problems (Puljung, p. 33). Do you agree?

A. No. As Mr. Puljung admits, AT&T proposed alternative dispute resolution procedures in the arbitration. They have been rejected by both Staff and the Hearing Examiners. In any event, AT&T cannot seriously contend that an outside arbitrator could have been expected to resolve the Citation case, the only order which has engendered unanticipated subsequent litigation.

It is also not clear what Commission orders AT&T thinks Ameritech Illinois is not going to be in compliance with on a going-forward basis. Mr. Puljung references the AT&T arbitration order (Puljung, p 30). I can assure the Commission that Ameritech Illinois will implement that agreement as quickly as possible.

Q. Are there dispute resolution avenues available to AT&T?

A. Yes. Complaints can be filed with both this Commission and the FCC. This Commission can establish expedited schedules when appropriate (e.g., the approximately 7-week schedule in the PIC protection case).

The carriers also have informal complaint procedures available to them. For example, AT&T's informal complaint about PIC processing errors -- baseless as it was --was resolved in 20 days (see Puljung, pp. 42-46).

Section 271(d)(6) of the federal Act requires the FCC to act on complaints involving checklist compliance within 90 days. Accordingly, AT&T is creating problems where there are none.

Q. Virtually all of the IXCs argue that certification of checklist compliance should be delayed on the grounds that it provides this Commission and the IXCs with

their only leverage to force Ameritech Illinois to fulfill its commitments (see e.g. Puljung, pp. 6-7, 19; Shapiro, p. 7). Would you comment?

A. Ameritech Illinois does not deny that the prospect of interLATA relief has been a powerful motivator to complete the massive operational, contractual and regulatory work effort required to meet Section 271 of the federal Act. In fact, Ameritech Illinois has been working diligently since 1993, as part of its original waiver petition filed with the MFJ Court. However, these work efforts are now largely complete. What remains after January 1, 1997, will be, at most, fine-tuning.

I would also note that, contrary to the impression left by some of these witnesses, both this Commission and the FCC will continue to have ample regulatory "leverage" over the Company after interLATA relief is granted. This Commission will retain full supervisory authority over Ameritech Illinois and complaint authority to respond to individual competitors' claims. The Commission is fully capable of enforcing Ameritech Illinois' checklist obligations and ensuring that competitive carriers have a fair opportunity to compete. Section 271(d)(6) of the federal Act also provides the FCC with a full range of enforcement

tools, including suspension or revocation of interLATA authority. Thus, there is not now -- and never will be -- any comparability between Ameritech Illinois' regulatory position and those of other carriers which are not subject to checklist obligations, such as GTE (Puljung, pp. 6-7).

COMPETITIVE ADVANTAGES AND DISADVANTAGES

Q. Several of the parties claim that they will have far greater difficulties entering the local marketplace than Ameritech will have entering the long distance marketplace (see e.g. Puljung, pp. 13-16). Do you agree?

A. No. These parties are understating the difficulties Ameritech will face when attempting to enter the long distance business and overstating the difficulties they will face when entering the local marketplace.

AT&T cites to four entry barriers: (1) local regulation by municipalities; (2) the cost of facilities construction; (3) the cost of "back-office" operational support systems; and (4) customer "habits" (Puljung, pp. 16-17). Dr. Shapiro expresses concern about the IXCs' risking their brand name (Shapiro, p. 21).

With respect to municipal franchises, the federal Act clearly intended that municipalities would continue to manage the public rights-of-way and could require compensation on a "competitively neutral and nondiscriminatory basis." (Section 253(c)). Presumably, if the net effect of the franchises imposed on new entrants is discriminatory, they can pursue their remedies in court or in Springfield. In any event, these municipal issues do not fall within this Commission's jurisdiction.

With respect to construction costs, all facilities-based entrants into either the local or the long distance marketplace, including ACI, will have to make a financial commitment. However, the wholesale/resale and unbundling initiatives of this Commission and the FCC will allow entrants to make only those investments that are economic and profitable over whatever planning horizon the carrier chooses to utilize. AT&T's $29 billion figure is nationwide and, furthermore, the investment will not be made unless AT&T benefits from it financially. I would note that this is a far cry from Ameritech Illinois' historic "carrier of last resort" responsibilities.

With respect to the Notebeart statement referred to by AT&T (Puljung, p. 15, note 4), ACI will not provide any

telecommunications services using Ameritech Illinois' official network facilities unless they are available to all competitors on the same terms and conditions (Section 272(e)(4)) or unless the Commission approves a transfer of those facilities from Ameritech Illinois to ACI pursuant to Section 7-102 of the Public Utilities Act. If Ameritech Illinois made any such request, the IXCs would have ample opportunity to present their views on the competitive and public policy implications of the request.

All carriers, including ACI, will have to invest in "back-office" support functions. This is just part of entering a new market. Carriers like AT&T and MCI, moreover, already have sophisticated billing and "back-office" capabilities in place which simply needed to be expanded to include local service.

Similarly, all carriers, including ACI, will be risking their brand names on services provided by other entities -- both IXCs in the local marketplace and Ameritech in the long distance marketplace. ACI will be largely reselling long distance services provided by others when it first obtains interLATA authority.

AT&T's own conduct belies the notion that it will be difficult for the IXCs to "shake" Ameritech Illinois'

customers from the "habits of a lifetime" as they claim. They would not be clamoring to enter this marketplace if they really believed that. In my initial testimony, I referred to some of AT&T's own documents and public statements which demonstrate that it believes it can obtain large local market shares very quickly.

These statements and other studies demonstrate that there is a large, untapped demand for alternative choices for local service, particularly ones that can provide one-stop-shopping. In fact, according to these reports, a substantial percentage of customers would prefer to obtain all of their telecommunications services from their IXC. Thus, I would expect the marketplace reaction to local competition to be comparable to that immediately following divestiture for interLATA competition, when there were significant market share shifts from AT&T to its competitors over a relatively short period of time.

Moreover, contrary to the post-divestiture period, Ameritech Illinois' competitors in the local marketplace are not start-up companies. They are huge, well-financed carriers like AT&T, Sprint and MCI (which is now merging with British Telecom), who, between them, control virtually all of the long distance

business in this country. They can simply extend their existing customers' telecommunications business into the local marketplace.

In contrast, Ameritech will be entering a long distance marketplace dominated by these same well-established competitors, with highly sophisticated service capabilities and brands that are household names. In contrast to the local marketplace, the long distance market has been saturated over the last few years with marketing claims and counterclaims. ACI's ability to even attract jaded consumer attention, much less achieve significant market share, is untested at this point in time.

Accordingly, the IXCs' efforts to portray themselves as the carriers "at risk" should be rejected.

Q. Mr. Puljung suggests that additional measures are required to ensure that Ameritech Illinois acts as an "honest broker" in the marketplace (Puljung, pp. 42-46). Would you comment?

A. Yes. AT&T's arguments rest primarily on what AT&T calls a "recent incident" concerning AT&T's intraLATA toll promotion. Mr. Puljung claims that Ameritech Illinois "personnel did not contact AT&T when they

first became aware" of processing problems with certain AT&T PIC change orders (Puljung, p. 44).

Mr. Puljung's version of the "facts" bears no relation to reality. First of all, Ameritech Illinois did not fail to contact AT&T regarding the problem. Every single PIC change which was rejected by Ameritech Illinois' system was returned immediately to AT&T with an error code and an English explanation of the error. AT&T apparently was not monitoring Ameritech Illinois' PIC change return transmissions and AT&T's personnel failed to take timely action to correct the problem. Ameritech Illinois' personnel, in fact, had no knowledge that these orders were being rejected. The PIC change system is not monitored on a carrier-specific basis, but rather as a whole and there were no overall system malfunctions.

These facts were discussed at length between Ameritech Illinois and AT&T personnel and were publicly documented in the reports filed by Ameritech Illinois with the Commission Staff as part of the informal complaint process. A copy of the Company's final report is attached as my Schedule 1.

AT&T did not withdraw its complaint as soon as "AT&T traced the order failure to its side of the interface"

(Puljung, p. 44). AT&T repeatedly, and obstinately, refused to even consider the possibility that the problem was its own. It was only when Ameritech Illinois -- after spending hundreds of man-hours -- produced a complete set of documentation proving that it was AT&T's problem that AT&T was forced to admit it was wrong and withdraw its complaint.

Ameritech Illinois did not "extensively publiciz[e] the incident as an indication that AT&T's quality of service was deficient" (Puljung, p. 44). Ameritech Illinois simply responded to AT&T's earlier claims to the press that Ameritech Illinois was at fault.

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In my opinion, Mr. Puljung's characterization of this incident goes well beyond the standard shading of the facts and no-so-subtle efforts to impugn Ameritech Illinois' integrity which unfortunately seem to characterize major Illinois telecommunications dockets these days. AT&T has flat-out and knowingly misrepresented the facts in its zeal to score a point against the Company. It has been a waste of my time to respond to these frivolous allegations and it will be a waste of the Commission's time to review them.

Q. Mr. Puljung also claims that some service representatives have made inappropriate remarks to

customers making intraLATA PIC changes (Puljung, pp. 45-46). Would you comment?

A. Without more information, such as a full transcript of the calls and the identity of the service representatives, I have no way to evaluate the accuracy of what appear to be hearsay comments from AT&T's customers. However, I can say that the Company's methods and procedures do not permit service representatives to market Ameritech Illinois' Band C calling services when customers have made up their mind to change carriers and call solely to make a PIC change. If the occasional service representative has made a mistake, it does not represent Company policy and it would not be tolerated if the employee's supervisor became aware of it.

I would also note that the vast majority of carrier PIC changes are transmitted electronically to Ameritech Illinois by the carriers themselves, rather than through calls from customers. The marketplace impact of any isolated problems with service representatives, therefore, would be minimal.

Q. Virtually all of the IXCs claim that interLATA relief should be tied to reductions in interstate and intrastate access charges (cites). Do you agree?

A. No. As explained in the Company's legal memorandum, nothing in the federal Act ties interLATA entry to access charge reform. The federal Act requires the FCC to address access charge reform and the companion universal service issues. An FCC order is expected in early May of next year. However these issues are resolved, they present difficult and complex public policy considerations. They have no bearing on checklist compliance.

Q. AT&T insists that the Commission order Ameritech Illinois to produce all of its franchises with municipalities to assist in its franchising efforts (Puljung, p. 50). Is this request relevant to this proceeding?

A. No. This proceeding is supposed to be addressing checklist compliance, not providing a forum for competitive "wish lists". Franchises are public documents which AT&T is perfectly capable of obtaining for itself. Furthermore, this same issue arose in the Ameritech Illinois/AT&T negotiations that preceded the arbitrations and AT&T did not pursue it in the arbitrations. It is inappropriate for AT&T to re-raise it as part of these proceedings.

Q. AT&T suggests that this proceeding ought to address Ameritech Illinois' relationship with ACI (Puljung, p. 51). Is this suggestion relevant?

A. No. Ameritech Illinois' relationship with ACI is not part of the checklist. ACI's certification is being addressed in Docket 95-0443 and the FCC's regulations governing Ameritech Illinois' relationship with ACI are expected shortly in FCC Docket 96-149. Ameritech will have to demonstrate its compliance with all of the affiliate and joint marketing requirements of Section 272 of the federal Act when it files its Section 271 application with the FCC.

Q. The Attorney General in its comments suggested a number of issues which the Commission should pursue. Do you agree?

A. Some of the Attorney General's questions have been addressed in my testimony and/or in the rebuttal legal memorandum (e.g. Questions 1, 2, 3 and 4). Other questions are beyond the scope of this proceeding (e.g. Questions 5,6, and 7).

RESALE, NETWORK ELEMENT AND TARIFF ISSUES

Q. Both Staff and AT&T have raised certain issues relative to the Company's wholesale tariff. Would you respond?

A. Yes. Mr. Jennings states that Ameritech Illinois' currently effective wholesale/resale tariff is not in compliance with the FCC's order in Docket 96-98 in the following aspects: (1) it is limited to MSA 1; (2) not all Ameritech Illinois retail services have wholesale rates; (3) the tariff allows for rebranding only under the BFR process; and (4) the time period available for promotional rates is longer than permitted by the FCC (Jennings, p. 9).

I agree with Mr. Jennings on all but item (3). The Company's revised wholesale tariff which was filed on September 27, 1996, addresses items (1), (2) and (4). Although this tariff was withdrawn, the Company refiled it on November 19 after working with Staff to ensure that all issues are resolved consistent with the Commission's Wholesale/Resale order and the FCC's order in Docket 96-98. It is the Company's goal and expectation that this tariff will go into effect around the first of the year. In addition, Ameritech Illinois

will update its Statement of Generally Available Terms to conform with this tariff.

With respect to rebranding, there are still technical issues associated with such an offering. The FCC's order in Docket 96-98 does not require rebranding if it is not technically feasible. The Hearing Examiners' Proposed Arbitration Decision in the AT&T Arbitration (Docket 96 AB-003/AB-004) recognizes this feasibility issue. Proposed Arbitration Decision, at pp. 34-35. Therefore, the tariff language is appropriate.

Q. What is your response to Mr. Starkey (Starkey, pp. 34-36)?

A. First, Mr. Starkey contends that Ameritech Illinois restricts the use of Service Transport Facilities ("STF") by competitive carriers to the "pair-at-a-time" offering, and that the discounted, "bundled" cable complements are not available (Starkey, p. 34). The STF cable complements were inadvertently left out of the July 26, 1996 wholesale tariff, but were included in both the September 27 (since withdrawn) and November 19 tariff filings. Accordingly, these facilities will be available for resale and Ameritech Illinois never intended otherwise.

Second, Mr. Starkey complains that the wholesale usage discount does not mirror the retail usage discount on an element-by-element basis. MCI makes a similar claim (Geist, pp. 10-11). This is an interim problem that will be resolved by the end of the year. As the Company explained to the Commission in July, its billing systems must be modified to mirror the retail usage rate structure. This modification work will be completed by January 1, 1997, at which time any billing under the existing discount structure will be trued-up. I would note that AT&T has been completely unaffected by this implementation schedule. According to its public statements, AT&T does not intend to enter the Illinois local exchange marketplace until January. By that time, a mirrored usage rate structure will be in place.

I would also note that literal application of the Commission's pro rata contribution pricing methodology to the Company's usage rate structure produced unintended results, which were reflected in the September 27 tariff filing (Starkey, p. 35; Access Network Services' letter to Donna Caton, dated October 22, 1996). The refiled November 19 tariff corrects this problem, so that resellers will always pay discounted rates.

Third, Mr. Starkey's contention that there is an inconsistency between the 22% discount level discussed in Docket 95-0458 and the current effective discount of 17.5% is incorrect. The discounts produced by the pro rata contribution methodology are sensitive to the amount of contribution generated by the services at issues. The 22% was calculated based on the services that were repriced and debated in Docket 95-0458. These Docket 95-0458 services did not include the entire universe of retail services offered by the Company. Therefore, although expanding the Company's wholesale offering to include more retail services does not materially change the discount on the services that were in Docket 95-0458, it will change the overall discount on the new universe of services. The direction of the change (i.e. upward or downward) depends on whether the average contribution margins on the services being added are higher or lower than the average margins on the Docket 95-0458 services. In this instance, the newly added services had lower average margins and, thus, brought the average discount on all services down from 22% to 17.5%.

Q. Access Network Services claims that Ameritech Illinois has refused to negotiate concerning rates for wholesale services. Would you comment?

A. Access Network Services has requested negotiations over special volume and term discounts beyond those contained in the wholesale tariff. It is currently Ameritech Illinois' position not to offer additional wholesale discounts. The issue of appropriate wholesale discount levels was thoroughly investigated in the Illinois wholesale proceeding. I do not believe that any discounts beyond those determined in that proceeding would be justified on an avoided-cost basis.

Q. Mr. Starkey complains about lack of notice given to resellers of new services (Starkey, p. 36). Please respond.

A. Mr. Starkey is apparently unaware of the fact that Ameritech Illinois and AT&T have already agreed to a forty-five day advance notice provision, whereby Ameritech Illinois will provide AT&T forty-five days advance notice of the introduction of any new features, functions services or promotions which change the terms and conditions of resale services. Ameritech Illinois will make the same advance notice available to all other resellers.

Q. Mr. Starkey contends that there are conflicts between the Company's wholesale rates and the Commission's "sum of the parts" rule (Starkey, pp. 37-40). Do you agree?